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Statement of Senator Charles E. Grassley  
Senate Finance Committee Hearing  
The Future of CHIP: Improving the Health of America's Children  
February 1, 2007

I appreciate the opportunity to meet today to learn more about the State Children's Health Insurance Program known as "SCHIP." This program needs to be reauthorized this year. I will make my remarks brief because we have a lot to go over this morning. First of all, I want to welcome Anita Smith from the State of Iowa. She is here today to tell us about the SCHIP experience in Iowa and make some important recommendations about how to make the program better. Thank you for being here today, Ms. Smith. And thank you, Senator Baucus, for inviting her to testify.

I also want to thank you and your staff for the bipartisan approach taken in putting this hearing together. I think this is a very balanced hearing and I appreciate the consideration and courtesy your staff extended to mine in working through the issues associated with this important hearing.

I am hopeful that we can continue to work together to find common ground so we can reauthorize and improve this important program this year. The SCHIP program has significantly improved the health and well-being of low-income children. More than 6 million children receive their health coverage from SCHIP. SCHIP and Medicaid have helped reduce the percentage of uninsured children from 13.9 percent in 1997 to 8.9 percent in 2005. That's a 36 percent drop in the number of uninsured children. The importance of both SCHIP and Medicaid in this decline is all the more significant because there has been a concurrent decline in private coverage for both adults and children during this timeframe.

In other words, a lot has been expected of the SCHIP program and SCHIP has delivered. That's not to say, however, that there are no improvements that can be made to this program. During these first ten years of this program, we have learned many lessons. And we can use these lessons to make the program even better. I am pleased that there is a significant state presence on the panel of witnesses here today. The SCHIP program was intentionally designed to give states the flexibility to design effective programs and to manage costs.

I am interested in learning whether or not there is additional flexibility that we can extend to states. For example, I understand Ms. Smith from Iowa will testify that some families in Iowa, who are

eligible for Medicaid, prefer to enroll their children in the Hawk-I program, which is Iowa's SCHIP program. Upon hearing that they can't choose Hawk-I over what they perceive to be welfare, these families do not enroll their child in Medicaid. I do not believe that is a positive outcome for the child.

One of the biggest challenges we have to face with the SCHIP program is its financing. As we look at the program today, we have many states that have been facing funding shortfalls and Congress has already had to step in to patch these shortfalls on two separate occasions. And many states are facing potential funding shortfalls yet this year. As we work to reauthorize the program, we have to work out a way to make the funding formula work better. The funding has to be stable and predictable for states so that health coverage for children is not put at risk.

Additionally, I am concerned some states have been using their federal SCHIP allotments to provide coverage to adults when Congress designed the program for children. Federal SCHIP funding was set aside by Congress for children. Everyone knows that. When President Clinton signed SCHIP into law, he called it, quote, "an investment in our Nation's children." And I fear that using these limited federal dollars for adults has undermined coverage for low-income children.

The issue is not whether or not coverage for adults is desirable: it is. The issue is not whether or not coverage for adults is beneficial for the family: it is. No one would argue with that. The issue is whether SCHIP funds used to cover adults has drained resources targeted by Congress for kids. Today, 75 percent of uninsured children in this country are eligible for coverage through Medicaid or SCHIP.

When states use funds intended for children to instead cover adults that means fewer dollars are available for kids. These are funds that cannot then be used to cover kids. And these are funds that cannot be used for outreach efforts to reach the millions of children who are eligible but not enrolled.

As we get into broader discussions about health care reform and small businesses we have to also face how to get more people covered. And this means the adults too. But the SCHIP program is for kids. The "C" stands for children. There is no "A" in SCHIP.

Mr. Chairman, I know we want to get moving here so I will finish up shortly. There are other issues that are important to me such as how to make outreach and enrollment improvements and the SCHIP funding formula that I will raise in my questions to the witnesses. However, I do want to end with some brief remarks about funding. I think everyone realizes that covering more kids will cost more money. In fact, just to continue the program as it is today will cost \$12 billion to \$15 billion over the next five years. This new spending includes the cost of coverage for pregnant women, parents and childless adults who get coverage through SCHIP today.

Several proposals have been discussed that would capture the estimated eligible but uninsured children and could cost up to \$45 billion. I have not heard advocates for these proposals say how we should pay for these estimated funding increases, especially under the proposed new pay-as-you-go rules. I think a critical part of this discussion needs to be about how we are going to pay for the existing services before we can discuss expanding services. I hope that we can effectively manage expectations about what we can do through this SCHIP reauthorization.